Syarikat Wing Heong Meat Product Sdn Bhd v Wing Heong Food Industries Sdn Bhd & Ors

HIGH COURT (KUALA LUMPUR) — SUIT NO D5(IP)22–32 OF 2006
RAMLY ALI J
2 OCTOBER 2009

Partnership — Termination — Dissolution — Sale of partnership business — Whether person managing partnership business had actual or ostensible authority to sell partnership's business, goodwill and intellectual property assets

Trade Marks — Infringement of — Ownership of trademark — Unregistered trademark — Whether assignment of pending trademark valid — Trademark application made by party not having any legal entitlement to apply — Whether invalid application — Whether assignment of invalid pending trademark ineffective — Whether plaintiff no locus to commence infringement proceedings against defendant

Trade Marks — Passing off — Goodwill — Trademark 'Wing Heong' used in dried meat business by partnership since 1973 — Partnership business and goodwill sold to defendant — Whether defendant could continue to trade under 'Wing Heong' trademark — Whether there was agreement for transfer of 'Wing Heong' trademark to defendant — Whether transfer of business and goodwill impliedly carried with right to use 'Wing Heong' trademark

Trade Marks — Registered trademark — Expungement — Whether defendant a bona fide proprietor of trademark — Whether registration of defendant's trademark contrary to s 14(1)(a) of the Trade Marks Act 1976 — Whether registration or use of trademark by defendant constituted passing off — Whether entry in register made without sufficient cause or wrongfully remained on register

The entity in dispute, 'Wing Heong' referred to a partnership dried meat business carried out by Mun How Yee and Mun How Hong. 'Wing Heong' had become distinctive of the dried meat products of 'Wing Heong' since early 1973. The business and business goodwill of 'Wing Heong' was acquired by the first defendant in 1999 and the first defendant continued the business under the trademark 'Wing Heong'. Until the end of 1998, the conduct of the business was managed by Mun How Yee and his wife, Madam

Yuin. When the business slowed down sometime in 1997/1998, the business was left entirely in the care of Madam Yuin. The plaintiff in this suit claimed, inter alia: (i) that the defendants were liable for the tort of passing off by selling meat products using the trademark 'Chinese Characters = Wing Heong + Other Devices' and trade name 'Wing Heong'; (ii) that the first defendant's Trade Mark Registration No 01008225 in Class 29 should be expunged from the Register of Trade Marks under s 45(1) of the Trade Marks Act 1976 ('Act'); (iii) that the plaintiff was the assignee and rightful owner of the goodwill and reputation attached to the partnership business of 'Wing Heong' and the trade name 'Wing Heong'; and (iv) that the registration of the said mark in the defendant's name and use of the mark constituted passing off. The defendants contended that the plaintiff could not be the assignee and rightful owner of the goodwill and reputation attached to the partnership business and the trade name of 'Wing Heong' because the said goodwill and reputation, trademark and trade name 'Wing Heong' rested with the partnership business of 'Wing Heong' which was purchased and taken over by the first defendant in early 1999. The first defendant counterclaimed against the plaintiff to prevent the plaintiff from manufacturing and selling the same goods under the name 'Wing Heong' just two doors away from the first defendant.

Held, dismissing the plaintiff's claim with costs and allowing the first defendant's counterclaim with costs:

(1) A transfer of the business and/or goodwill associated with it carries the right to use the trademark and trade name used in and attached to the business and the business goodwill transferred. There is no need for any express understanding written or oral that the right to use the trademark goes along with the transfer provided there is appropriate consideration for the transfer (see para 19).

(2) The first defendant had acquired the business of 'Wing Heong' together with the goodwill assets and trademark of the business in early 1999. The commercial acts, payments and considerations paid by the first defendant and post transfer business circumstances surrounding the continued operation of the business showed that the business, business goodwill and all other assets and intellectual property rights of 'Wing Heong' were transferred to the first defendant from March 1999 together with the right for the first defendant to use the trade name and trademark 'Wing Heong' (see paras 45 & 49).

(3) There was actual authority accorded to Madam Yuin to conclude a transfer agreement with the first defendant. Alternatively, Madam Yuin had the apparent or ostensible authority from Mun How Yee and Mun How Hong to enter, on behalf of them, an agreement for the sale of the

business, business goodwill and the intellectual property assets of 'Wing Heong' to the first defendant (see para 52).

(4) There is no goodwill capable of being attached to the trademark in law. It is the goodwill that is attached to the business in the goods, in relation to which the trademark is used that is protected and which is capable of being transferred, assigned or transmitted. As no goodwill attached to the business (as opposed to a trademark) was claimed by the plaintiff in its pleadings, none could be said to have been transferred to the plaintiff by the purported assignment. The purported assignment and transfer to the plaintiff was therefore invalid and ineffective (see paras 71 & 73).

(5) The filing of the said trademark application was in the name of Mun Tat Weng (PW3) who had no business relationship with 'Wing Heong'. PW3 could not, under the law, have any legal entitlement to make the application under s 25 of the Act or to assign any such rights to the plaintiff. The assignment was thus not valid. Moreover, an assignment of pending trademark has no effect in law (see paras 75–77).

(6) The plaintiff failed to fulfill the requirements under s 45(1) of the Act. The plaintiff failed to establish that the first defendant was not a bona fide proprietor of the trademark; that the registration was contrary to s 14(1)(a); and that the registration or use of the trademark by the defendants constituted passing off. Thus, the plaintiff failed to convince the court that the entry in the register of the said trademark No 01008225 was made without sufficient cause or wrongfully remained on the register. Therefore the plaintiff's application to have the first defendant's trademark expunged failed (see para 90).

(7) The first defendant had shown that it had sufficient goodwill or reputation in the trademark 'Wing Heong' in the business of dried meat. The first defendant had also proven on the balance of probabilities that the actions of the plaintiff were likely to and/or had actually caused misrepresentation (see paras 100 & 104).

[Bahasa Malaysia summary

Entiti yang dipertikaian, 'Wing Heong' merujuk kepada perkongsian perniagaan daging kering yang dijalankan oleh Mun How Yee dan Mun How Hong. 'Wing Heong' telah menjadi produk daging kering yang unggul 'Wing Heong' sejak awal tahun 1973. Perniagaan dan nama baik 'Wing Heong' diperolehi defendan pertama pada tahun 1999 dan defendan pertama telah meneruskan perniagaan di bawah tanda dagangan 'Wing Heong'. Sehingga akhir tahun 1998, pengendalian perniagaan telah diuruskan oleh Mun How Yee dan isterinya, Puan Yuin. Apabila perniagaan menjadi lembab

A sekitar tahun 1997/1998, perniagaan itu dikendalikan sepenuhnya oleh Puan Yuin. Plaintif dalam guaman ini mendakwa, antara lain: (i) bahawa defendan-defendan bertanggungjawab untuk tort kelirupaan kerana menjual produk daging menggunakan tanda dagangan 'Chinese Characters = Wing Heong + Other Devices' dan nama dagangan 'Wing Heong'; (ii) bahawa B Pendaftaran Tanda Dagangan No 01008225 dalam Kelas 29 defendan pertama patut dipotong daripada daftar tanda dagangan di bawah s 45(1) Akta Cap Dagangan 1976 ('Akta'); (iii) bahawa plaintif merupakan pemegang serah hak dan pemilik sah nama baik dan reputasi yang terdapat pada perniagaan perkongsian 'Wing Heing' dan nama dagangan 'Wing Heong'; C dan (iv) bahawa pendaftaran tanda tersebut atas nama defendan dan penggunaan tanda itu membentuk kelirupaan. Defendan-defendan menegaskan bahawa plaintif tidak mungkin merupakan pemegang serah hak dan pemilik sah nama baik dan reputasi yang terdapat pada perniagaan perkongsian dan nama dagangan 'Wing Heong' kerana nama baik dan D reputasi tersebut, tanda dagangan dan nama dagangan 'Wing Heong' terletak pada perniagaan perkongsian 'Wing Heong' yang telah dibeli dan diambil alih oleh defendan pertama pada awal tahun 1999. Defendan pertama telah menuntut balas terhadap plaintif untuk mengelakkan plaintif daripada membuat dan menjual barangan yang sama di bawah nama 'Wing Heong' E yang hanya terletak selang dua pintu dari defendan pertama.

Diputuskan, menolak tuntutan plaintif dengan kos dan membenarkan F tuntutan balas defendan pertama dengan kos:

(1) Pindah milik perniagaan dan/atau nama baik yang dikaitkan dengannya, hak untuk menggunakan tanda dagangan dan nama dagangan yang digunakan dalam atau dikaitkan dengan perniagaan dan G nama baik yang telah dipindahkan. Tiada keperluan untuk apa-apa persefahaman yang nyata secara bertulis atau lisan bahawa hak untuk menggunakan tanda dagangan mengikut pindah milik tersebut kecuali jika terdapat pertimbangan yang bersesuaian untuk pindah milik itu (lihat perenggan 19).

H (2) Defendan pertama telah memperoleh perniagaan 'Wing Heong' bersama nama baik aset-aset dan tanda dagangan perniagaan pada awal tahun 1999. Tindakan komersial, pembayaran dan balasan yang telah dibayar oleh defendan pertama dan keadaan perniagaan setelah pindah milik yang berkisarkan operasi perniagaan yang berterusan itu I menunjukkan bahawa perniagaan, nama baik dan semua aset-aset lain dan hak-hak harta intelektual 'Wing Heong' telah dipindahkan kepada defendan pertama dari Mac 1999 bersama dengan hak defendan pertama untuk menggunakan tanda nama dan tanda dagangan 'Wing Heong' (lihat perenggan 45 & 49).

(3) Pemberian kuasa sebenar telah diberikan kepada Madam Yuin untuk menyempurnakan perjanjian pindah milik itu kepada defendan pertama. Secara alternatif, Madam Yuin mempunyai kuasa ketara atau zahir daripada Mun How Yee dan Mun How Hong untuk menandatangani, bagi pihak mereka, perjanjian untuk jualan perniagaan, nama baik dan aset-aset harta intelektual 'Wing Heong' kepada defendan pertama (lihat perenggan 52).

(4) Tiada nama baik yang boleh dikaitkan kepada tanda dagangan dari segi undang-undang. Hanya nama baik yang dikaitkan kepada perniagaan dalam barangan, yang berkaitan dengan tanda dagangan yang digunakan yang dilindungi dan yang boleh dipindah milik, diserah hak atau diperturunkan. Memandangkan tiada nama baik dikaitkan kepada perniagaan (yang bertentangan dengan tanda dagangan) didakwa oleh plaintif dalam plidingnya, tiada apa-apa boleh dikatakan telah dipindah milik kepada plaintif melalui penyerahhakkan yang dimaksudkan itu. Penyerahhakkan hak yang dimaksudkan dan pindah milik kepada plaintif dengan itu tidak sah dan tidak berkesan (lihat perenggan 71 & 73).

(5) Pemfailan permohonan tanda dagangan adalah atas nama Mun Tat Weng (PW3) yang tiada hubungan perniagaan dengan 'Wing Heong'. PW3 tidak boleh, di bawah undang-undang, mempunyai apa-apa hak yang sah untuk membuat permohonan di bawah s 25 Akta atau untuk menyerah hak apa-apa hak yang sedemikian kepada plaintif. Oleh itu, penyerahhakkan hak tersebut tidak sah. Tambahan pula, penyerahhakkan hak sementara menunggu tanda dagangan tidak berkesan di sisi undang-undang (lihat perenggan 75–77).

(6) Plaintif telah gagal untuk memenuhi keperluan di bawah s 45(1) Akta. Plaintif telah gagal untuk membuktikan bahawa defendan pertama bukan tuan punya bona fide tanda dagangan; bahawa pendaftaran itu bertentangan dengan s 14(1)(a); dan bahawa pendaftaran atau penggunaan tanda dagangan oleh defendan-defendan membentuk kelirupaan. Oleh itu, plaintif telah gagal untuk meyakinkan mahkamah bahawa kemasukan tanda dagangan No 01008225 atas daftar telah dibuat tanpa sebab yang mencukupi atau telah dibiarkan secara salah atas daftar. Oleh itu permohonan plaintif untuk memotong tanda dagangan defendan pertama telah gagal (lihat perenggan 90).

(7) Defendan pertama telah menunjukkan bahawa ia mempunyai nama baik atau reputasi yang memadai dalam tanda dagangan 'Wing Heong' dalam perniagaan daging kering tersebut. Defendan pertama juga telah membuktikan atas imbangan kebarangkalian bahawa tindakan-tindakan plaintif berkemungkinan dan/atau sebenarnya telah menyebabkan salah nyata (lihat perenggan 100 & 104).]

Notes

For cases on dissolution, see 10 *Mallal's Digest* (4th Ed, 2008 Reissue) paras 1066–1068.

For cases on expungement, see 12 *Mallal's Digest* (4th Ed, 2005 Reissue) paras 2127–2142.

For cases on goodwill, see 12 *Mallal's Digest* (4th Ed, 2005 Reissue) paras 2077–2079.

For cases on ownership of trademark, see 12 *Mallal's Digest* (4th Ed, 2005 Reissue) paras 2008–2013.

Cases referred to

Carlton & United Breweries Ltd & Anor v Tooth & Co Ltd & Ors [1986] NSW LEXIS 6882, SC (refd)

Chew Hock San & Ors v Connaught Housing Development Sdn Bhd [1985] 1 MLJ 350, FC (refd)

Commissioners of Inland Revenue, The v Muller & Co's Margarine Ltd [1900–03] All ER 413, HL (refd)

Crofter Hand Woven Harris Tweed Co Ltd & Ors v Veitch & Anor [1942] AC 435, HL (refd)

Crutwell v Lye (1810) 17 Ves 335 (refd)

Customs and Excise Commissioners v Dearwood Ltd [1986] STC 327, QBD (folld)

England v Downs (1843) 6 Beav 269 (refd)

Frank Reddaway and Frank Reddaway & Co Ltd v George Banham and George Banham & Co Ltd [1896] AC 199, HL (refd)

Freeman & Lockyer (a firm) v Buckhurst Park Properties (Mangal) Ltd & Anor [1964] 2 QB 480, CA (refd)

H & R Johnson Tiles Ltd & Anor v H & R Johnson (M) Bhd [1998] 4 MLJ 13, HC (refd)

HA Rencoule Ltd v Hunt [1967] 2 ITR 475, DC (refd)

Hill v Fearis [1905] 1 Ch 466, Ch D (refd)

IN Newman Ltd v Richard T Adlem [2006] FSR 16, CA (refd)

Kenmir Ltd v Frizzell & Ors [1968] 1 WLR 329, QBD (folld)

New-West Management Group Sdn Bhd & Anor v Ng Ah Kow & Anor [2008] 8 CLJ 18, HC (refd)

Reckit & Colman Products Ltd v Borden Inc & Ors [1990] 1 All ER 873, HL (refd)

Roadstar-Anseah Invesment Pte Ltd v Thian Hock Electric Sdn Bhd [1990] 1 CLJ 1219, HC (refd)

Seet Chuan Seng & Anor v Tee Yih Jia Foods Manufacturing Pte Ltd [1994] 2 MLJ 770, SC (refd)

Shipwright v Clements (1871) 19 WR 599 (refd)

Syarikat Zamani Hj Tamin Sdn Bhd & Anor v Yong Sze Fun & Anor [2006] 5 MLJ 262, HC (refd)

Teoh Swee Hee v Tio Hock Thye & Ors [1996] MLJU 409, HC (refd)
Thynne v Shove (1890) 45 Ch D 577 (folld)
Trego v Hunt [1895–1899] All ER Rep 804, HL (folld)
UBE Engineering Sdn Bhd v UBE Industry Sdn Bhd & Anor [2001] 1 CLJ 300, HC (refd)

Legislation referred to
Trade Marks Act 1976 ss 14(1)(a), 25, 35, 45(1), (1)(a), 55(1A)

Ee Tee Gin (Ng Kim Peh and Ee Chai Hak with him) (EE & Associates) for the plaintiff.
Wong Sai Fong (Ringo Low and Michelle CY Loi with him) (Ringo Low & Associates) for the defendants.

Ramly Ali J:

[1] The plaintiff's claims against the defendants are as follows:

(a) that the defendants are liable for the tort of passing off by distributing, selling, supplying or offering for sale, without the plaintiff's consent or authority, food products, namely, barbecued, smoked, baked, dried, sliced or preserved meat, all cured or cooked and ready for consumption including beef, chicken, pork and seafood as well as meat floss products, as and for those of the plaintiff using:

  (i) the trademark 'Chinese characters = Wing Heong + other devices'; and

  (ii) the trade name 'Wing Heong';

(b) that the first defendant's Trade Mark Registration No 01008225 in Class 29 should be expunged from *the Register of Trade Marks* under s 45(1) of the Trade Marks Act 1976 as it was fraudulently registered.

[2] In respect of the passing off claim, the plaintiff alleged that the plaintiff is the assignee and rightful owner of the goodwill and reputation attached to the partnership business of 'Wing Heong' and the trade name 'Wing Heong'.

[3] In respect of the trademark expungement the plaintiff alleged that the first defendant is not the bona fide proprietor of the said mark; the registration of the said mark in the defendant's name is contrary to s 14(1)(a) of the Trade Marks Act 1976 and the registration and/use of the mark constitutes passing off.

[4] The reliefs sought by the plaintiff are as follows:

(a) injunctive relief restraining the defendants from continuing their offending acts;

(b) an order for delivery up or destruction of all offending goods of the defendants;

(c) an order for full discovery of all relevant documents pertaining to the defendants' offending acts;

(d) an inquiry as to damages or, at the plaintiff's option, an account of profits, and payment of all sums found due upon the taking of such inquiry or account including interests thereon;

(e) an order directing the registrar of trademarks to cancel and expunge from the register of trademarks, Malaysia the first defendant's Trade Mark Registration No 01008225 in Class 29;

(f) an order directing the first and second defendants to change their names to names which do not contain the words 'Wing Heong' or words which are confusingly similar thereto; and

(g) costs.

[5] The defendants' defence (based on the amended defence and first defendant's counterclaim dated 5 June 2007) is that the plaintiff could not be the assignee and rightful owner of the goodwill and reputation attached to the partnership business and the trade name of 'Wing Heong' because the said goodwill and reputation, trademark and trade name 'Wing Heong' rested with the partnership business of 'Wing Heong' which was later purchased and taken over by the first defendant in early 1999. The first defendant was incorporated by DW3 (Yap Sooi Chang) to purchase and take over the business and assets of the partnership business of 'Wing Heong'. Therefore the defendants claimed that they are entitled to use the said mark and trade name 'Wing Heong' for the sale and distribution of the goods.

[6] The first defendant filed a counterclaim against the plaintiff on the ground that the plaintiff has threatened and in all likelihood will commence the manufacturing and sale of the same goods under the name 'Wing Heong' and with the plaintiff's trademark at No 116, Jalan Imbi, 55100 Kuala Lumpur; the plaintiff's act of false association, deception, confusion and/or passing off by setting up shop just two doors away from the first defendant are calculated to deceive and confuse members of the trade and public; and the aforesaid acts of the plaintiff have caused and will continue to cause irreparable and serious loss and damage to the first defendant.

[7] Thus, the first defendant is seeking, inter alia, the following reliefs: **A**

(a) a declaration that it is the legal, equitable and common law owner of the trade name 'Wing Heong' and the trademarks 'Wing Heong + Chinese characters' and the plaintiff's trademark;

(b) a declaration that it is the legal and equitable owner of the goodwill and reputation attached to the trade name 'Wing Heong' and the trademarks 'Wing Heong + Chinese characters' and the plaintiff's trademark when used in connection and in relation to the business of manufacturing and sales of the said goods; **B**

(c) injunctive relief restraining the plaintiff from continuing its aforesaid acts; **C**

(d) an order for delivery up or destruction of all relevant goods of the plaintiff;

(e) an order for full discovery of all relevant documents pertaining to the plaintiff's aforesaid acts; **D**

(f) an inquiry as to damages or, at the first defendant's option, an account of profits; and

(g) costs. **E**

[8] The plaintiff's defence to the counterclaim is that the plaintiff is the rightful legal owner of the trade name 'Wing Heong', the said trademark as well as the goodwill and reputation attached to the partnership business of 'Wing Heong' by virtue of the trade name 'Wing Heong' and the said trademark when used in connection with or in relation to the business of manufacturing sales and distribution of the said good. As such the plaintiff contended that the issue of plaintiff committing acts of false association, deception, confusion and/or passing off does not arise at all. **F** **G**

ISSUES TO BE DETERMINED

[9] Substantively, there are only three issues for determination. They are: **H**

(a) Is the first defendant the rightful owner of the dried meat business located at 120, Jalan Imbi;

(b) Is the first defendant the rightful owner of the trademark 'Wing Heong' when used in relation to dried meat in the course of business and trade; and **I**

(c) If the answers to (a) and (b) are in the affirmative, would the defendants be entitled to the relief asked for in the counter claim?

THE RELEVANT LAW

[10] The main contention of the parties revolves on the issue of whether the said business of 'Wing Heong' was sold to and purchased by the first defendant in early 1999 together with the goodwill and reputation and the trade name 'Wing Heong'.

[11] The court shall now deals with the relevant law on transfer upon the sales and purchase of business and transfer of goodwill of a business.

[12] What is 'goodwill' in the context of business? The concept of goodwill of a business was enlightened by Justice Warrington in the case of *Hill v Fearis* [1905] 1 Ch 466 at p 471 as follows:

> The goodwill of a business is the advantage, whatever it may be, which a person gets by continuing to carry on and being entitled to represent to the outside world that he is carrying on a business which has been carried on for some time previously.

[13] Prior to that, Lord Justice Lindley in *The Commissioners of Inland Revenue v Muller & Co's Margarine Ltd* [1900–03] All ER 413 at p 423 had given a more illustrative picture of what constitutes business goodwill:

> Goodwill regarded as property has no meaning except in connection with some trade, business, or calling. In that connection I understand the word to include whatever adds value to a business by reason of situation, name and reputation, connection, introduction to old customers, and agreed absence from competition, or any of these things, and there may be others which do not occur to me.

[14] Authorities have clearly showed that there cannot be an exhaustive definition of what goodwill is or the circumstances of trade and business that give rise to goodwill and reputation. It is very much a matter dictated by prevailing facts and circumstances relating to the business in question. Anything that gives rise, to a business advantage, even if intangible, is nevertheless worthy of protection.

[15] A business advantage may come about by reason of a business having been conducted from the same location for many years past. The goodwill may be subject of sale between the owner of the business to the new purchaser of the business. Lord Eldon in the case of *Crutwell v Lye* (1810) 17 Ves 335, had expressed how expansive the concept of goodwill in relation to a business as follows:

> The goodwill which has been the subject of sale is nothing more than the probability that the old customer will resort to the old place.

(see *Teoh Swee Hee v Tio Hock Thye & Ors* [1996] MLJU 409).

[16] Thus, goodwill can therefore be the attractive force that continues to attract back to the location the custom and clientele the business already enjoys. It consists of the chance or probability that custom will be had at a certain place of business in consequence of the way in which the business has been previously carried out. The goodwill is the good reputation of the business.

(see *England v Downs* (1843) 6 Beav 269).

[17] The clear proposition of these authorities is that where the locality of the business brings in the customs, goodwill as a disposable asset of the business represents the advantage derived from the chance that customers will continue to frequent the premises in which the business has been carried on for a long time. That goodwill may attach to a location has been accepted since a very long time ago.

[18] In the present case, the dispute between the parties is about the realisation and transfer of the business and the goodwill of the business 'Wing Heong' together with the component consisting of trademark and trade name 'Wing Heong'. The issue in question at this stage is whether the transfer of the said business to the purchaser (the first defendant) carries together with the component consisting of the goodwill of the trade name 'Wing Heong' and the trademark attached to it.

[19] There are ample authorities to support the proposition that such transfer of the business and/or goodwill associated with it by way of sale and acquisition by the purchaser carries with it the right to use the trademark and trade name used in and attached to the business and the business goodwill transferred. There is no need for any express understanding, written or oral that the right to use the trademark goes along with the transfer provided there is appropriate consideration for the transfer (see *Thynne v Shove* (1890) 45 Ch D 577; and *Shipwright v Clements* (1871) 19 WR 599).

[20] A classical example of this proposition is found in the case of *Shipwright v Clements* where an outgoing partner sold his interest to his partner. Part of the partnership property was a brand of perfume known as 'Zingari Bouquet'. The outgoing partner claimed the right to go on selling this perfume under the same brand. The court held that if a business were

sold without any word about the right to the use of the trademark which formed part of the business transferred, the trademark would be understood and held to pass to the purchaser.

[21] The Supreme Court of New South Wales (Equity Division) in the case of *Carlton & United Breweries Ltd & Anor v Tooth & Co Ltd & Ors* [1986] NSW LEXIS 6882 referred to and adopted the ruling in *Shipwright* case. It was held in that case:

> The sale of a business is a sale of goodwill. It is not necessary that the word goodwill should be mentioned.

[22] This concept of the deemed transfer of the trademark and trade name as a component of the business and the goodwill of the business that is transferred is different from the concept of transferring the trademark not as part of the transfer or assignment of the business and the goodwill accompanying it. The law does not recognise a trademark as an assignable right or asset apart from the goodwill of the business in connection with which the trademark is used. The ground for the law's refusal to recognise this is to prevent any danger of a fraud being practiced upon the public. It is to prevent confusion and deception in the perception of the public.

[23] On the same issue, the law on the rights of the vendor of the goodwill of a business vis-a-vis the right of the purchaser, is also governed by the ordinary principles of contract ie the vendor cannot compete with the purchaser for the same business, the goodwill of which he had sold to the purchaser. This principle was made clear by Lord MacNaghten in the case of *Trego v Hunt* [1895–1899] All ER Rep 804 at p 814 in his speech as follows:

> A man may not derogate from his own grant; the vendor is not at liberty to destroy or depreciate the thing which he has sold; there is an implied covenant on the sale of goodwill that the vendor does not solicit the custom which he has parted with; it would be a fraud on the contract to do so.

[24] Under such transfer of business, the purchaser obtains an exclusive right, as against the vendor who sold the business together with the goodwill to him. The purchaser also has an exclusive right as against the whole world so that no other person could represent himself as carrying on the same business under the same trade name, subject to a limitation that the vendor is not exposed to any liability by holding him out to be the real owner of the business.

[25] This principle was explained by Stirling J in the case of *Thynne v Shove* at p 580 where he said:

> He has assigned the goodwill of his business to the defendant; and by virtue of that assignment the defendant, in carrying on the business, has the right to use the name of the assignor for the purpose of showing that the business is the business formerly carried on by the assignor; and he has the full right so to use it, subject to this: that he must not exercise that right so as to expose the assignor to any liability by holding him out to be the real owner of the business. That is the only limit of the defendant's right to use the plaintiff's name.

[26] An effective assignment or transfer of business or goodwill of a business may be made based on circumstances surrounding both before and post the disputed transfer. It is not necessary for it to be in a formal written form. Courts have in the past inferred from various other documents such as the memorandum and articles of association of a particular company; and evidence showing that the purchaser continued with the activities and operations previously operated by the vendor in full knowledge of all relevant parties (see *Syarikat Zamani Hj Tamin Sdn Bhd & Anor v Yong Sze Fun & Anor* [2006] 5 MLJ 262 and *HA Rencoule Ltd v Hunt* [1967] 2 ITR 475).

HA Rencoule Ltd is a case of such nature where the court held that even though the agreement expressly provides the purchaser was not purchasing the business and should not have the right to use the old firm name, there was nevertheless a transfer of business or goodwill. The court in arriving at the said decision considered the fact that the purchaser was the one who obtained a new lease of the factory premises as well as having taken over the vendor's former employees and the works in progress.

[27] In deciding whether there is infact a transfer of business, regard must be had to the substance surrounding the transfer rather than the form. In *Kenmir Ltd v Frizzell and Ors* [1968] 1 WLR 329, the court had to decide whether the continuation by the successor of a business from previous owner amounted to transfer of the business or otherwise. In the written agreement, there was no mention about assignment of the goodwill of the business to the successor, although there was an agreement in relation to the disposition of factory premises, fixtures and fittings, plants and machinery. However, the court held that based on the surrounding circumstances, there was infact an assignment or transfer of the said business or goodwill to the successor. Widgery J at p 335 made the following observations:

> In deciding whether a transaction amounted to the transfer of a business regard must be had to its substance of the circumstances, weighing the factors which point in one direction against those which point in another. In the end the vital consideration is whether the effect of the transaction was to put the transferee in possession of a going concern the activities of which he could carry on without interruption. Many factors may be relevant to this decision though few will be conclusive in themselves. Thus, if the new employer carries on business in the same

manner as before this will point to the existence of a transfer, but the converse is not necessarily true because a transfer may be complete even though the transferee does not choose to avail himself of all the rights which he acquires there under. Similarly, an express agreement is strong evidence of a transfer of the business but the absence of such an agreement is not conclusive if the transferee has effectively deprived himself of the power to compete. The absence of an assignment of premises, stock-in-trade or outstanding contracts will likewise not be conclusive if the particular circumstances of the transferee nevertheless enable him to carry on substantially the same business as before.

[28] In *Customs and Excise Commissioners v Dearwood Ltd* [1986] STC 327, McCowan J affirmed the propositions that in determining the issue, the court must place particular emphasis on whether the transfer results in the transferee (the purchaser) having in possession a going concern activity. A transferee (purchaser) is in possession of a going concern activity if he could (as apposed to would) continue carrying on the said activity without interruption.

FACTUAL FINDINGS BASED ON THE EVIDENCE ADDUCED DURING TRIAL

[29] The entity in dispute, 'Wing Heong' business refers to 'Wing Heong' dried meat business at No 120, Jalan Imbi, Kuala Lumpur. The business and business goodwill of 'Wing Heong' with the first defendant acquired in 1999 is the very same business which operated at all material times, from No 120, Jalan Imbi, Kuala Lumpur.

[30] The partners of 'Wing Heong' were the owners and first users of the trademark 'Wing Heong' in relation to dried meat products, namely, barbecued, smoked, baked, dried, sliced or preserved meat, all cured or cooked and ready for consumption including beef, chicken, pork and seafood as well as meat floss (dried meat products) since the 1970s. They operated said business from the premises at No 120, Jalan Imbi, Kuala Lumpur. The partners at the material time, namely in 1999 (when the first defendant acquired it), were Mun How Yee and Mun How Hong.

[31] It is common ground that as a result of extensive use, sales and promotion by 'Wing Heong', the dried meat products and the trademark 'Wing Heong' has become distinctive of the dried meat products of 'Wing Heong' at least since early 1973. The business of 'Wing Heong' has therefore, acquired substantial reputation, goodwill and commercial advantage in its dried meat business in relation to which the trademark 'Wing Heong' is used.

[32] Sometime in March 1999, the defendants claimed the then partners of the Wing Heong ie Mun How Yee and Mun How Hong had sold, assigned and transferred the business, the business goodwill, assets and intellectual property of 'Wing Heong' to the first defendant.

[33] Subsequent to the said transfer in 1999, the first defendant continued and to date, still conducts the business of manufacturing and selling dried meat of the trademark 'Wing Heong' at the same place, No 120, Jalan Imbi. The first defendant continued the use of the trade name 'Wing Heong' as well.

[34] The dried meat business was, since 1973 and at all material times, conducted at No 120, Jalan Imbi despite the change of ownership over the land upon which the business was conducted. The land was originally owned by Mun How Yee, Mun How Hong and Mun How Kien (the original partners of 'Wing Heong'). In 1986, the ownership over No 120, Jalan Imbi changed hands to one Soon Yong Kee Holdings Sdn Bhd. Consequent upon this change of ownership, business of 'Wing Heong' assumed the position as the tenant of No 120, Jalan Imbi instead by renting the property at RM6,000 per month. Soon Yong Kee Holdings Sdn Bhd continued to rent the said premises to 'Wing Heong' until sometime in February 1999. Owing to the long standing business located at the said premises at No 120, Jalan Imbi, it has to be emphasised that there was goodwill attached to the said locality from where the dried meat business of 'Wing Heong' was operating from.

[35] Even though the documented papers identified Mun How Hong and Mun How Yee as the partners of the business of 'Wing Heong' (located at No 120, Jalan Imbi) until the end of 1998, the conduct of the operation and decision on the business direction was in actual fact managed by Mun How Yee and his wife, Madam Yuin from 1986 onwards. Mun How Hong, (ie the other owner of the said partnership), lost interests in the business from 1986 onwards, having set up a completely different type of business altogether — a health care centre. Clearly, he neglected and abandoned 'Wing Heong' at No 120, Jalan Imbi.

[36] Mun How Hong claimed to have continued 'seeing the shop' (ie 'Wing Heong' at 120, Jalan Imbi) from 1986 onwards. However, he did not explain how and in what manner he continued to be involved in the operation, management and direction of the business. He did not explain what role he played in the business of 'Wing Heong' after he neglected and abandoned it to set up his health centre business. The undisputed facts showed that he had stopped altogether being involved in the dried meat business of 'Wing Heong' from 1986 onwards.

[37] Despite the absence of Mun How Hong, the business continued. Its operation and continuation in business surpassed the disputed year of 1993 (the year when the plaintiff claimed to have been vested with the business, business goodwill, assets and intellectual property of the said business) and continued well into year 1999. The business was at all material times conducted under the name of 'Wing Heong'. Its dried meat products were sold with the trademark 'Wing Heong'. The business from 1993–1999 operated as of its own right, not under any license or authorisation of Mun How Yee and or Mun How Hong as the plaintiff has claimed.

[38] The business at No 120, Jalan Imbi, slowed down sometime in 1997/1998 due to mounting huge debts that it had incurred throughout the earlier years. These sums of debts were owed to various parties including the landlord (Soon Yong Kee on behalf of Soon Yong Kee Holdings Sdn Bhd). Among others, 'Wing Heong' owed the landlord of No 120, Jalan Imbi RM425,000. There were no immediate financial resources of 'Wing Heong' that were available to help settle these debts. The problem faced by 'Wing Heong' was exacerbated when the sole partner involved in the business then, ie Mun How Yee, was indifferent about it and instead, took away substantial monies from the business to sustain his bad habits. All these gave rise to a dire and pressing desperation on 'Wing Heong'. It badly needed financial aid to continue its business. The difficult position faced by 'Wing Heong' was testified to by both the plaintiff's and defendants' witnesses alike.

[39] Mun How Yee's acts of neglect and indifference worsened when he left his family (Madam Yuin and her four children) and the business at No 120, Jalan Imbi to escape from mounting creditors from whom he had borrowed money to sustain the business in 1998. That conduct and decision effectively left Madam Yuin alone in charge of the barely surviving business. He had left the business to Madam Yuin alone with the hope that she would find ways to continue running the ailing business. There was an amount in excess of RM1m owed back in the 1990s. By contrast, the income generated by the business at the time of the acquisition by the first defendant in March 1999 including the stocks of the said business was only valued at RM25,000. The biggest creditor was Soon Yong Kee (whose company Soon Yong Kee Holding Sdn Bhd is the landlord of the premises at No 120, Jalan Imbi) for the amount of RM425,000. Another two creditors with substantive amounts owed by 'Wing Heong' were Low Ping Saeng and Then Tek Men for debts of RM100,000 each.

[40] The business was abandoned by Mun How Yee and was left entirely in the care of Madam Yuin while he remained unemployed in Kuala Lumpur. Madam Yuin (DW4), against all odds and with great suffering, continued with the business in the face of growing threats and demands by the various

creditors. Madam Yuin was also expected and did continue paying the rental of the premises and placing orders for meat stocks. More importantly, and despite the heavy odds, Madam Yuin Saw Ling was expected to resuscitate the business by paying the existing debts already owed to the various creditors from whatever income earned from the business and to continue sustaining the employees who still worked for the business. These were the calls that were left entirely and solely in the hands of Madam Yuin by Mun How Yee and by default, Mun How Hong who, at no point in time, came to her aid or lent any form of assistance to the business.

[41] The evidence of Mun How Yee (PW4) (under cross-examination) gave a clear picture on his utter disregard, disinterests and subsequent neglect of the struggling business of 'Wing Heong' from 1998. It is evident that PW4, (ie Mun How Yee) left the business at No 120, Jalan Imbi entirely in the hands of his wife (now estranged), Madam Yuin. It will be noted that there were no mention of any forms of contributions (monetary or otherwise) made by either Mun How Yee or the other owner, Mun How Hong to the ailing business.

[42] Given the circumstances above, it is only reasonable to infer that PW4 had left to escape the staggering debts incurred by the business although this was denied by him. His claim that he still cared for the business despite him not being physically present at No 120, Jalan Imbi; by him leaving the difficult and almost impossible task of managing and settling the debts owed by the business to his wife, Madam Yuin Sau Ling, by him being unemployed after having left the business and by him purportedly delaying credit terms with the hounding creditors while offering no positive means of repaying cannot and ought not be treated as credible or reasonable conduct on his part as the balance of probabilities.

ACQUISATION OF THE BUSINESS AND GOODWILL OF THE BUSINESS BY THE FIRST DEFENDANT

[43] There are sufficient evidence to show that the first defendant had acquired the business of 'Wing Heong' together with the goodwill assets and trademark of the business sometimes early 1999. In consideration of such acquisition the first defendant had assumed the liabilities of 'Wing Heong' that had arisen in the course of the conduct of the business. The first defendant had settled the debt of RM425,000 owed to the biggest creditor ie Soon Yong Kee — the landlord. The first defendant had also purchased the remaining meat stock from 'Wing Heong' at a value of RM25,000; absorbed five employees of 'Wing Heong'; paid the outstanding utility bills, both electricity and telephone that were previously incurred by 'Wing Heong', which at the time of acquisition remained unpaid. This payment was made

to ensure continuity of the supply of electricity and telephone service at the premises, thereby allowing the business to continue uninterrupted. It is also a form of debt settlement for 'Wing Heong' by the first defendant.

[44] After the transfer of the business, the first defendant has continued paying the rental of the premises of the business at No 120, Jalan Imbi, at the initial monthly rental of RM6,000. This was evidenced by a tenancy agreement dated 3 March 1999 between the landlord and DW3 (on behalf of the first defendant). This fact was confirmed by the landlord (DW1). Subsequently, three directors of the first defendant purchased the said business premises through a company known as WHFI Holdings Sdn Bhd vide a sale and purchase agreement dated 4 September 1999 at a purchase price of RM950,000.

[45] On top of that, the first defendant had incurred renovation and outfitting expenses at the business premises. These expenses include payments for renovation and construction work, repair and service, installation of lighting and wiring, for the purchase of office equipment, camera, monitor and video; for procurement of fax machine; for purchase of surveillance devices; for purchase of cash register and time recorder; and for servicing of several air conditioners. All these payments were made for the goods procured and services rendered to the business in the month of March 1999 (which is the month the first defendant acquired lock, stock and barrel, the business, business goodwill, assets and trademark of 'Wing Heong').

[46] At the same time, after the acquisition, the first defendant continued paying the salaries of employees including the five employees which it has absorbed from the previous 'Wing Heong' from March 1999. This includes the payment of their respective employer's contribution to the employees' provident fund. The first defendant has also continued obtaining supplies of meat necessarily needed for the continued dried meat business of 'Wing Heong'; and consistently placing advertisements and promotional items for the dried meat product business of 'Wing Heong'.

[47] The court is of the view that the aforementioned commercial acts, payments and considerations paid by the first defendant and post transfer business circumstances surrounding the continued operation of the business were the kind of 'substance' which the court in *Kenmir Ltd v Frizzell & Ors* [1968] 1 WLR 329 envisaged. They constitute factors determinative on the facts of the present case that there was without any doubt a transfer of the business, business goodwill and all other assets and intellectual property rights of 'Wing Heong' to the first defendant from March 1999. When so assessed and evaluated, it indicates that the transfer of the business, business goodwill, assets and intellectual property of 'Wing Heong' to the first

defendant did, in fact, take place in March 1999 together with the right on the part of the first defendant to continue to use the trade name and trademark 'Wing Heong'.

[48] The defendants contended that the sale and purchase of the business 'Wing Heong' was made between Madam Yuin Sau Ling (DW4) the former wife of Mun How Yee (PW4) who at the material times was under the absolute and effective control and management of the business 'Wing Heong' since 1997/1998 with Yap Soon Chang (DW3) on behalf of the first defendant. To the defendants, the said Madam Yuin Sau Ling had the necessary authority on behalf of the business 'Wing Heong' to sell the partnership business to the first defendant, through Yap Sooi Chang (DW3) on behalf of the first defendant. Thus the defendants contended that the transaction is valid in law.

[49] The plaintiff on the other hand, argued that the said Madam Yuin Sau Ling was only an employee of the business 'Wing Heong', and was never at anytime a partner thereof and therefore has no authority to sell the partnership to the first defendant.

[50] The issue of actual and apparent/ostensible authority was raised by the parties. On the facts and circumstances of the case, the defendants contended that there was actual authority accorded to Madam Yuin Sau Ling to conclude a transfer of the business to the first defendant. Alternatively, the defendants contended that the first defendant is entitled to rely on the fact that Madam Yuin Sau Ling has apparent or ostensible authority to enter on behalf of the business partners, an agreement with Yap Sooi Chang (DW3) on behalf of the first defendant for the sale of the business, business goodwill and trademark to the first defendant.

[51] Thus, it is pertinent at this point for the court to consider the law relating to actual and apparent/ostensible authority and their application to the facts and circumstances of the present case.

[52] Actual and apparent/ostensible authority is quite independent of one another. The difference between actual and apparent/ostensible authority was clearly explained by the Federal Court in the case of *Chew Hock San & Ors v Connaught Housing Development Sdn Bhd* [1985] 1 MLJ 350 as follows:

> It is necessary at the outset to distinguish between an 'actual' authority of an agent on the one hand, and an 'apparent' or 'ostensible' authority on the other. Actual authority and apparent authority are quite independent of one another. Generally they co-exist and coincide, but either may exist without the other and their respective scopes may be different. As I shall endeavour to show, it is upon the

apparent authority of the agent that the contractor normally relies in the ordinary course of business when entering into contracts.

An 'actual' authority is a legal relationship between principal and agent created by the consensual agreement to which they alone are parties. Its scope is to be ascertained by applying ordinary principles of construction of contracts, including any proper implication from the express words used, the usages of the trade, or the course of business between the parties. To this agreement the contractor is a stranger; he may be totally ignorant of the existence of any authority on the part of the agent. Nevertheless, if the agent does enter into a contract pursuant to the 'actual' authority, it does create contractual rights and liabilities between the principal and the contractor … An 'apparent' or 'ostensible' authority, on the other hand, is a legal relationship between the principal and the contractor created by a representation, made by the principal to the contractor, intended to be and in fact acted upon by the contractor, that the agent has authority to enter on behalf of the principal into a contract of a kind within the scope of the 'apparent' authority, so as to render the principal liable to perform any obligations imposed upon him by such contract. To the relationship so created the agent is a stranger. He need not be (although he generally is) aware of the existence of the representation but he must not purport to make the agreement as principal himself. The representation, when acted upon by the contractor by entering into a contract with the agent, operates as an estoppels preventing the principal from asserting that he is not bound by the contract. It is irrelevant whether the agent had actual authority to enter into the contract.

In ordinary business dealings to contractor at the time of entering into the contract can in the nature of this hardly ever rely on the 'actual' authority of the agent. His information as to the authority must be derived either from the principal or from the agent or from both, for they alone know what the agent's actual authority is. All that the contractor can know is what they tell him, which may or may not be true. In the ultimate analysis he relies either upon the representation of the principal, that is, apparent authority, or upon the representation of the agent, that is, warranty of authority.

[53] The court is satisfied that in the present case the question as to actual authority may arise. It is a legal relationship between the partners (Mun How Yee and Mun How Hong) and Madam Yuin Sau Ling created by a consensual agreement to which they above are parties. Madam Yuin Sau Ling (DW4) in her evidence testified the followings:

(a) Mun How Hong had abandoned his rights and interest in the business after setting up his own health center business (at the earliest) or after setting up the plaintiff (at the latest);

(b) de facto and real owner left after that would be Mun How Yee;

(c) in 1998, Mun How Yee had left the whole business of 'Wing Heong' to his wife than, Madam Yun Sau Ling. Since then, the whole business of 'Wing Heong' was under absolute control and management of Madam Yuin Sau Ling;

(d) the sale of the business to the first defendant was with the full knowledge and assent of both Mun How Hong and Mun How Yee and their family members as the first defendant's signboard was set up at the premises No 120, Jalan Imbi since they took over the business in March 1999 in full view of all; and

(e) the father of both Mun How Hong and Mun How Yee was well aware of the take over by the first defendant and in fact was helping out or hanging out on a daily basis at the said premises.

[54] Thus by asking Madam Yuin Sau Ling to run the whole business of 'Wing Heong' and to sort out all its financial problems and take care of the children, actual authority had been conferred on her to deal with the business in any manner that she deems fit. Therefore she has every lawful authority to sell the whole business of 'Wing Heong' to the first defendant.

[55] In the alternative, the court is also satisfied that Madam Yuin Sau Ling had the apparent/ostensible authority to negotiate and conclude a sale of the said business on behalf of Mun How Yee and Mun How Hong (the owners of 'Wing Heong') to the first defendant and the first defendant is entitled to rely on such representation. Such representation, according to Lord Diplock in *Freeman & Lockyer (a firm) v Buckhurst Park Properties (Mangal) Ltd & Anor* [1964] 2 QB 480, refers to representation which creates apparent authority which 'may take a variety of forms of which the commonest is representation by conduct, that is by permitting the agent to act in same way in the conduct of the principal's business with other persons. By doing so the principal represents to anyone who becomes aware that the agent is so acting that the agent has authority to enter on behalf of the principal into contracts with other persons of the kind which an agent so acting in the conduct of his principal's business has usually actual authority to enter into'.

[56] In the present case, the court finds that the whole evidence, on the balance of probabilities, indicates that the conduct of the parties of the business ie Mun How Yee and Mun How Hong, took the form of them leaving to Madam Yuin Sau Ling (an employee of 'Wing Heong' and wife of Mun How Yee) the sole responsibility and conduct of managing the business and clearing the massive debts of 'Wing Heong'. Madam Yuin Sau Ling then was the one responsible for the placement of the meat orders and payment of the monthly rental to the then landlord. Even Mun How Yee (PW4) attested that the business was left totally in the hands of Madam Yuin Sau Ling (while he remained unemployed for an undetermined period of time) with the hope that she could salvage the heavily in debt 'Wing Heong' back to a going concern. Madam Yuin Sau Ling was expected to settle the staggering debts owed by 'Wing Heong' to creditors. By the said conduct, the court finds that both Mun Haw Yee and Mun How Hong as partners of the business, in the

words of Lord Diplock in the case of *Freeman & Lockyer* represented to anyone who becomes aware that Madam Yuin Sau Ling is so acting that she has authority to enter on behalf of the partners into contract with other persons (in the present case, the first defendant) of the kind which an agent so acting in the conduct of his principal's business has usually the actual authority to enter.

[57] Given the dire circumstances of 'Wing Heong', in particular, the hounding creditors, Madam Yuin Sau Ling was expected and was perceived by the first defendant, as an agent with the apparent/ostensible authority to do all she could on behalf of the owners of the partnership to salvage the said business or to pay off the debts by continuing with the business at No 120, Jalan Imbi. 'Salvaging' the business, as intimated by Mun How Yee to Madam Yuin Sau Ling before he left the business and the family, must necessarily include preserving the running of the business (as opposed to the business being made bankrupt by pursuing creditors). The 40% share holding of their daughter in the first defendant company, if worth mentioning at all, is indicative of the consideration which Madam Yuin Sau Ling has taken into account prior to the transfer of the business, to the first defendant. Madam Yuin Sau Ling has further testified in her evidence-in-chief that before Mun How Yee left the business and the family sometime in 1998, he had intimated to her that the business was now to be left in her hands and that she should and could do what was needed to fend for the family.

[58] On the facts and circumstances of the case, the court is satisfied that there was actual authority accorded to Madam Yuin Sau Ling to conclude a transfer agreement with the first defendant. Alternatively, the first defendant is entitled to rely on the apparent/ostensible doctrine that is, Madam Yuin Sau Ling (the wife of Mun How Yee and the sole manager of conduct of the business of 'Wing Heong') has the apparent or ostensible authority from Mun How Yee and Mun How Hong to enter, on behalf of them, an agreement with Yap Sooi Cheng (DW3) on behalf of the first defendant for the sales of the business, business goodwill and the intellectual property assets of 'Wing Heong' to the first defendant.

[59] The sale and transfer of the business to the first defendant, obviously brought along the goodwill and reputation attached to it. As found by Lord Justice Lindley in the case *The Commissioners of Inland Revenue v Muller & Co's Margarine Ltd* 'goodwill' regarded as property has no meaning except in connection with some trade, business or calling. The word includes whatever adds value to a business by reason of situation, name and reputation, connection, introduction to old customers and agreed absence of competition.

[60] On the authority of *Thynne v Shove* the court finds that the transfer of the business of 'Wing Heong' and the goodwill associated with it by way of sale and acquisition by the first defendant carries with it the right to use the trademark and trade name 'Wing Heong' used in and attached to the business and the business goodwill transferred. There is no need for any express understanding written or oral that the right to use the trademark goes along with the transfer provided there is appropriate consideration for the transfer. In the present case, there is ample evidence to show that the transfer of the business to the first defendant was done with sufficient consideration provided by the first defendant.

[61] It is also trite that if a business was sold without any word about the right to the use of the trademark which formed part of the business transferred, the trademark would be understood and held to pass to the purchaser (see *Shipwright v Clement*; and *Carlton & United Breweries Ltd & Anor v Tooth & Co Ltd & Ors*).

[62] It is also trite that in order to establish an action for passing off, the first ingredient that the plaintiff must prove is that they have sufficient reputation or goodwill in the mark, trademark, get up or other indicia in question (see *Reckit & Colman Products Ltd v Borden Inc & Ors* [1990] 1 All ER 873; *H & R Johnson Tiles Ltd & Anor v H & R Johnson (M) Bhd* [1998] 4 MLJ 13; *UBE Engineering Sdn Bhd v UBE Industry Sdn Bhd & Anor* [2001] 1 CLJ 300; and *Syarikat Zamani Haji Tamin Sdn Bhd & Anor v Yong Sze Fun & Anor* [2006] 5 MLJ 262).

[63] In the present case, the court is satisfied that the plaintiff had, on the balance of probabilities, failed to establish the said ingredient. At the material times, the reputation and goodwill in the business and trade name 'Wing Heong' had been transferred on sale to the first defendant and the first defendant has every right to use the trade name 'Wing Heong' in its business after the sale which took place in March 1999.

[64] With the transfer of the business, the business goodwill, assets and trademark of the business to the first defendant in March 1999, the first defendant in effect is the lawful owner of 'Wing Heong' and that includes all the goodwill of the business, the trademark and trade name 'Wing Heong' which previously belonged to the transferor. Thus, after the transfer, it is the first defendant and not the plaintiff who have the right to an action in passing off (see *New-West Management Group Sdn Bhd & Anor v Ng Ah Kow & Anor* [2008] 8 CLJ 18).

[65] In *IN Newman Ltd v Richard T Adlem* [2006] FSR 16, the Court of Appeal (UK) considered the effect of an assignment or transfer of goodwill relying on Wadlow's *Law of Passing off* and held:

> As against the world at large, the effect of an assignment of goodwill with the business to which it relates is to put the assignee in the position formerly enjoyed by the assignor, notwithstanding that the public may to some extent have associated the business assigned with the former personality.

[66] The first defendant acquired the pith and substance of the very same business that was commenced at 120, Jalan Imbi since early 1973 by the previous owners of 'Wing Heong'. It is the first defendant (and not the plaintiff) that is so lawfully vested and thus, entitled to the rights and goodwill associated with the said acquired business of 'Wing Heong', including the right to commence legal action against those who may have unlawfully violated the said rights. Rightfully too, the defendants cannot be sued for exercising and enjoying the lawfully acquired rights. The plaintiff does not have the locus standi to bring these present passing off causes of action against the defendants for the use of the trademark 'Wing Heong'.

[67] Accordingly, the present pleaded cause of action by the plaintiff against the defendants for having passed off their business as that of the plaintiff's by them having used the trademark or trade name 'Wing Heong' must fail.

[68] To support its cause of action, the plaintiff claimed it is rightfully entitled to the trademark from 1993 onward as it had instructed one of its shareholders, one Mun Tat Weng to file a trademark application for the said trademark. The said trademark application was subsequently filed in 2004, approximately 11 years after the plaintiff claimed to have been assigned with 'all the rights together with the goodwill to the plaintiff to be registered as the owner of the trademark' in 1993. The plaintiff asserted that 'Mun How Yee and Mun How Hong also assigned all their rights together with the goodwill to the plaintiff to be registered as the owner of the trademark'. The wordings 'to be registered as the owner of the trademark' made it clear that the goodwill referred to therein refers only to goodwill as attached to the trademark and not to the business.

[69] It is to be stressed that there is no goodwill capable of being attached to the trademark in law. It is the goodwill that is attached to the business in the goods, in relation to which or in connection with which the trademark is used that is protected and which is capable of being transferred, assigned

or transmitted. There is a need to be clear with what the plaintiff's assertion means, for under the law, there is no such concept as goodwill being attached to the trademark.

[70] As explained above, goodwill is an intangible asset. It is the advantage which a person gets by continuing to carry on a business which had been carried on for some time before (*Hill v Fearis*). Goodwill has no meaning except in connection with some trade, business or calling. It has no independent existence but for the business which it can attach itself to (*The Commissioners of Inland Revenue v Muller*). Lord Herschell in *Frank Reddaway and Frank Reddaway & Co Ltd v George Banham and George Banham & Co Ltd* [1896] AC 199 at p 209 said:

> The word 'property' has been sometimes applied to what has been termed a trademark at common law. I doubt myself whether it is accurate to speak of there being property in such a trademark though no doubt some of the right which are incident to property may attach to it.

[71] It is not possible in law to transfer 'all rights together with the goodwill attached to a trademark'. There can be no effect or any resultant rights that can be said to have accrued to the plaintiff as a result of the purported transfer of goodwill attached to a trademark. As no goodwill attached to the business (as opposed to a trademark) was claimed by the plaintiff in its pleadings, none can be said to have been transferred to the plaintiff by the purported assignment and transfer of 1993 that the plaintiff is talking about. The purported assignment and transfer to the plaintiff (if any) is therefore invalid and ineffective in law.

[72] At most the purported assignment as assorted by the plaintiff is an assignment of a common law mark in the form of the words 'Wing Heong' and the Chinese equivalent of it without there being transferred as well, the business and the goodwill of the business 'Wing Heong'. Such assignment was subsequently translated into the form of a trademark application (in the form presented in Schedule 1 of the statement of claim), filed in the year 2004.

[73] The filing of the said trademark application was in the name of Mun Tat Weng (PW3) who has no business relationship with 'Wing Heong'. At the time of the trial, the said trademark application under No 2004/02537 was objected to by the Malaysian intellectual property office owing to the existence of trademark registration No 2001/08255 for the first defendant's trademark. The said trademark application was subsequently assigned vide an assignment agreement dated 24 June 2005 to the plaintiff. This assignment erroneously assumed that all 'the benefits of the said trademark together with

A the benefits of its subsequent registration as well as the goodwill of the business relating to the goods in respect of which the said trademark is to be registered' resided with Mun Tat Weng. The court is in full agreement with the defendants' contention that Mun Tat Weng was never entitled to the rights that form the subject of the assignment dated 24 June 2005.

B

[74] The said Mun Tan Weng himself under cross-examination confirmed that other than the plaintiff's business, he did not get involved in the business of 'Wing Heong' using the trademark and trade name. The business of the plaintiff at various locations, namely at Taman Maluri, Kuala Lumpur; Jalan C Tun Razak, Kuala Lumpur and at No 116, Jalan Imbi, Kuala Lumpur is an independent business without any form of association or affiliation whatsoever with 'Wing Heong'. It did not acquire any business and business goodwill of 'Wing Heong'. Without any rights over 'all the benefits of the said trademark together with the benefits of its subsequent registration as well D as the goodwill of the business relating to the goods in respect of which the said trademark is to be registered' Mun Tat Weng cannot, under the law, have any legal entitlement to make the application under s 25 of the Trade Marks Act 1976 or assigned any such rights to the plaintiff. The assignment E agreement dated 24 June 2005 is accordingly not valid for it to have any legal effect or force in law.

[75] Moreover, an assignment of pending trademark has no effect in law. Section 55(1A) of the Trade Marks Act 1976 allows the assignment and F transmission of an unregistered trademark only if at the time of the assignment or transmission, the said unregistered trademark was used in the same business as a registered trademark (which is not the plaintiff's case) and it was assigned or transmitted at the same time to the same person as that registered trademark and in respect of the goods all of which are goods in G relation to which the unregistered trademark is or was used in that business and in respect of which that registered trademark is or was assigned or transmitted. Accordingly, the assignment of the said trademark application 2004/02537, while still pending, has no effect in law. The conditions for H assignment of an unregistered mark under s 55(1A) of the Trade Marks Act 1976 are not met.

EXPUNGEMENT OF TRADEMARK UNDER SECTION 45(1) OF THE TRADE MARKS ACT 1976

I

[76] The plaintiff's claims against the defendants also include an application to remove or expunge the first defendant's trademark registration No 01008225 in Class 29 from the register of trademarks under s 45(1) of the Trade Marks Act 1976, on the grounds that the first defendant is not a

bona fide proprietor of the trademark; the registration is contrary to s 14(1)(a) of the Trade Mark 1976; and the registration arise of the trademark constitutes passing off.

[77] Section 45(1)(a) of the Trade Marks Act 1976 provides, inter alia:

> the Court may on the application in the prescribed manner of any person aggrieved by ... any entry made in the Register without sufficient cause or by any entry wrongfully remaining in the Register … make such order for making, expunging or varying such entry as it thinks fit.

[78] The plaintiff claimed that the first defendant is not and cannot claim to be the bona fide proprietor of the said 'Wing Heong' mark, on the basis that the plaintiff is the rightful legal owner of the said mark, the trade name and the goodwill attached to the business of 'Wing Heong'; and that the first defendant's mark is confusingly and deceptively similar to the plaintiff's mark.

[79] The first defendant is the registered proprietor/owner of the trademark 'Wing Heong' under registration No 2001/08255 in respect of goods in Class 29, namely:

> Barbecued, smoked, baked, dried, sliced or preserved meat, all cooked and ready for consumption including beef, chicken, pork and seafood as well as meatfloss, all included in Class 29.

It is presently valid and subsisting till 3 July 2011 and consists in its essential parts the word 'Wing Heong' and the Chinese character equivalent of it.

[80] The registration of a person as a registered proprietor of a trademark in respect of any goods or services shall, if valid, give or be deemed to have been given to that person the exclusive right to the use of the trademark in relation to those goods or services subject to any conditions, amendments, modifications or limitations entered in the register.

[81] By reason of s 35 of the Trade Marks Act 1976, the first defendant claims to have the exclusive right and entitlement to use the registered 'Wing Heong' trademark and its Chinese equivalent in respect of dried meat products.

[82] A registered trademark is infringed by a person who, not being the registered proprietor of the trademark or registered user of the trademark using by way of permitted use, uses a mark which is identical with it or so nearly resembling it as is likely to deceive or cause confusion in the course of

trade in relation to goods or services in respect of which the trademark is registered in such a manner as to render the use of the mark likely to be taken as being used as a trademark.

[83] The elements of trademark infringement may thus be summarised as follows:

(a) the defendant uses a mark identical with or nearly resembling the registered trademark as is likely to deceive or cause confusion;

(b) the defendant is not authorised or licensed to use the registered trademark;

(c) the defendant uses the offending trademark in the course of trade;

(d) the defendant uses the offending trademark in relation to goods in respect of which the trade mark is registered; and

(e) the defendant uses the mark in such a manner as to render the use of the mark likely to be taken as being used as a trademark.

[84] The plaintiff's claim for trademark infringement against the defendants would have failed right from the out set because the trademark which it seeks to base its present cause of action for trademark infringement is not registered. By reason of the first defendant owning registration 2001/08255, the first defendant has a complete defence under *the Trade Marks Act 1976*.

[85] By reason of the lawful appropriation of the business, business goodwill (which, as discussed above, would include any trademark or common law mark and trade name used in conjunction with the said business), and assets of 'Wing Heong', the first defendant was in a position to file and register for the trademark 'Wing Heong' and its Chinese equivalent as per registration 2001/08255 in respect of the dried meat business which it has so acquired. It thus cannot be faulted or accused of having fraudulently registered said trademark.

[86] The court is of the view that the plaintiff was the one who has infringed the registered trademark No 2001/08255. It is plain and obvious the plaintiff itself is guilty of having infringed the first defendants registered mark 2001/08255. Plaintiff claimed in para 6 of the statement of claim to have used the trademark 'Wing Heong' in relation to dried meat in the course of its business. Confusion and deception is likely and damages to the first defendant have occurred and are likely to continue.

[87] The plaintiff has on the balance of probabilities failed to establish passing off against them and has not advanced sufficient evidence of use of the trademark 'Wing Heong' in respect of its dried meat products. The evidence adduced by the plaintiff is the form of photographs (P6 and P8), payment of the license of business (P9) and an audited financial statement of the plaintiff (P10) is insufficient to discharge the burden of proof.

[88] Accordingly based on the above considerations the court finds that the plaintiff has failed to fulfil the requirements under s 45(1) of the Trade Marks Act 1976. The plaintiff has on the balance of probabilities failed to establish that the first defendant is not a bona fide proprietor of the trademark, that the registration is contrary to s 14(1)(a), and that the registration or use of the trademark by the defendants constitutes passing off. Thus the court is satisfied that the plaintiff has failed to convince the court that the entry in the register of the said trademark No 01008225 was made without sufficient cause or wrongfully remaining the register. Therefore the plaintiff's application under s 45(1)(a) of the Trade Marks Act 1976 to have the first defendant's trademark expunged or removed for the register must also fail.

ISSUE OF CONSPIRACY

[89] The plaintiff in its submission claimed that there was conspiracy committed by Madam Yuin Sau Ling (DW4) and Yap Sooi Chong (DW3) to transfer the business of 'Wing Heong' to the first defendant. The court cannot agree with this submission. The court finds no evidence at all to show any element of conspiracy committed by DW4 and DW3. In any event the alleged conspiracy was not pleaded by the plaintiff.

[90] What the plaintiff is trying to assert is about civil conspiracy. The elements of civil conspiracy were summarised by Viscount Simon LC in the House of Lords case of *Crofter Hand Woven Harris Tweed Co Ltd & Ors v Veitch & Anor* [1942] AC 435 at p 440 as follows:

> The appellants, therefore, in order to make out their case have to establish:
>
> (a) agreement between the two respondents;
>
> (b) to effect an unlawful purpose; and
>
> (c) resulting in damage to the appellants.

[91] None of the above elements were specifically pleaded by the plaintiff. Averment of this nature must specifically be pleaded. The defendants must not be caught by surprise in the proceedings. Such being the case, the court finds that nothing needs to be considered nor contemplated further on this

verbal and bare assertion (see *Roadstar-Anseah Invesment Pte Ltd v Thian Hock Electric Sdn Bhd* [1990] 1 CLJ 1219).

CONCLUSION ON THE PLAINTIFF'S CLAIM

[92] Based on the above considerations, the court makes the following findings on the three issues posed earlier in para 9 above:

(a) that it is the first defendant who is the rightful owner of the dried meat business located at No 120, Jalan Imbi, Kuala Lumpur;

(b) that the first defendant is the exclusive and rightful legal owner of the trademark 'Wing Heong' and the Chinese character equivalent of it when used in relation to dried meat in the course of trade; and

(c) by reason of the paras (a) and (b) above, the defendants would be entitled to the relief asked for in the counterclaim and that includes, a finding and declaration that the plaintiff has passed off its meat products as those of the defendants by the use of the trade name 'Wing Heong' and trademark 'Wing Heong' in the course of its dried meat business and that the plaintiff has infringed the first defendant's registered trademark for 'Wing Heong' under No 2001/08255.

[93] In the premise, the plaintiff's claim against the defendants ought to be dismissed with costs in favour of the defendants.

THE FIRST DEFENDANT COUNTERCLAIM

[94] The first defendant's counterclaim against the plaintiff is based on trademark infringement as well as on passing off.

[95] As stated above the court has concluded that the first defendant is the rightful owner of the said registered trademark (registration No 2001/08255); the first defendant has the exclusive right and entitlement to use the registered trademark; the plaintiff was the one who has infringed the registered trademark of the first defendant by using the same trademark in relation to its business of dried meat in the course of its business, and confusion and deception is likely to be caused and damages to the first defendant have occurred and are likely to continue.

[96] On that considerations the court is satisfied that the first defendant's counterclaim against the plaintiff for trademark infringement must be allowed with costs.

[97] On the first defendant's counterclaim for passing off, it is settled law that in order to establish an action for passing off, the first defendant must prove all the following elements, namely:

(a) that they have sufficient reputation or goodwill in the mark, trademark, get-up or other indicia in question in this country;

(b) that the actions of the defendants are likely to and/or have actually caused misrepresentation; and

(c) that the plaintiff have suffered or is likely to suffer damage or injury to their business or goodwill as a result of the defendants' misrepresentation.

(see *Reckitt & Colman Products Ltd v Borden Inc & Ors*).

[98] The first defendant has shown by evidence on the balance of probabilities that it has sufficient goodwill or reputation in the trademark 'Wing Heong' in the business of dried meat. Having proven it has acquired the business, goodwill and assets of 'Wing Heong', the first defendant is effectively vested with the locus standi to assert its passing off counterclaim against the plaintiff. The first defendant's present passing off counterclaim is two fold, ie:

(a) in respect of the trademark 'Wing Heong'; and

(b) in respect of the trade name 'Wing Heong'.

[99] The court has found earlier that there was substantial goodwill and reputation generated in so far as use of the trademark and trade name 'Wing Heong' by the partnership of 'Wing Heong' are concerned. The plaintiff was independently incorporated in 1993 with the intention of taking over the goodwill of the business of 'Wing Heong'. Thus attempt by the plaintiff, was a futile one as the plaintiff has never proven that the business of 'Wing Heong' was ever transferred to it.

[100] In contrast to the plaintiff's failed attempts, the first defendant with its proven acquisition of the business, goodwill and assets of 'Wing Heong' on a lock, stock and barrel basis, is put effectively, following *New-West Management Group Sdn Bhd & Anor v Ng Ah Kow & Anor*, in the position formerly enjoyed by the business of 'Wing Heong'. This is notwithstanding that the public may to some extent have associated the business assigned with the former personality.

[101] In addition to the goodwill it has already acquired from the business of 'Wing Heong', the first defendant continued to use the trademark and trade name 'Wing Heong' extensively in respect of dried meat products. For

instance, the first defendant had expended more than RM430,000 for the past eight years in its promotional and advertising efforts in relation to the use of the said trademark and trade name.

[102] The first defendant has also proven on the balance of probabilities that the actions of the plaintiff are likely to and/or have actually caused misrepresentation.

[103] Based on the prolonged and extensive user and effort in promoting the use of the said trademark and trade name 'Wing Heong' by the first defendant, the first defendant has undoubtedly established substantial goodwill and registration in so far as both trademark and trade name of 'Wing Heong' are concerned. Because of the identical or similar nature of the usage of the trademark 'Wing Heong' by the plaintiff and the outright and deliberate use of the trade name 'Wing Heong', both of which were admitted by the plaintiff, the plaintiff has misrepresented to the public that its dried meat products bearing the trademark 'Wing Heong' and traded under the trade name 'Wing Heong' comes from, related, licensed by or associated to the defendant, which is not the case.

[104] In an instance of direct competition where it involves identical or closely resembling marks and identical class of goods affected (as in the present case) the court had in the past presumes damages as a result. The requirement to prove actual damages is such an instance is dispensed with (see *Seet Chuan Seng & Anor v Tee Yih Jia Foods Manufacturing Pte Ltd* [1994] 2 MLJ 770; and *New-West Management Group Sdn Bhd & Anor v Ng Ah Kow & Anor*).

[105] In the present case, the presumption is much more clearer given the possibility of association by the public between the plaintiff's meat products using trademark and trade name 'Wing Heong' and the defendants' products; as well as the fact that the plaintiff is in a common field of activity with the defendants, there would be a clear danger and diversion to the plaintiff. If the plaintiff's products do not meet up to the standards associated with the defendants' products, such lack of quality would undoubtedly be attributed to the defendants resulting in the loss to the goodwill and reputation. Further, the plaintiff, by wrongfully employing and/or misappropriating the trademark and trade name 'Wing Heong' in relation to its dried meat products, is clearly taking an unfair advantage out of the goodwill and reputation that obviously belongs to the first defendant. This form of loss would be in the form of the plaintiff's ability to unlawfully profit from its acts without compensating the rightful owners of trademark and trade name 'Wing Heong'. As a result, the first defendant will lose exclusivity over its

well-established and developed trademark and trade name 'Wing Heong'.

CONCLUSION

[106] Based on the above considerations the court finds that the plaintiff has failed to establish its claims against the defendants, on the balance of probabilities. Therefore the plaintiff's claims against all the defendants be dismissed with costs in favour of the defendants. On the other hand the court is satisfied that the first defendant has on the balance of probabilities established its counterclaim against the plaintiff. Therefore the first defendant's counterclaim against the plaintiff be allowed with costs. Damages suffered by the first defendant to be assessed by the registrar.

Plaintiff's claim dismissed with costs and the first defendant's counterclaim allowed with costs.

Reported by Kanesh Sundrum